

## Message Text

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ORIGIN ARA-14

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P 182246Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY PANAMA PRIORITY

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E.O. 11652: N/A

TAGS:PN, BDIS

SUBJECT:CITRICOS DE CHIRIQUI

REFERENCES:(1) STATE 125402; (B) PANAMA 3301

1. ON MAY 16, CITRICOS LAWYER ANDREW NORMANDEAU VISITED THE DEPARTMENT TO REPORT ON THE NEGOTIATIONS HE HAD WITH ECONOMIC POLICY AND PLANNING MINISTER BARLETTA AND VICE MINISTER GUSTAVO GONZALEZ IN PANAMA ON MAY 9. AS REPORTED IN EMBASSY'S REFTEL, NO AGREEMENT WAS REACHED. PANAMA REJECTED CITRICOS' OFFER OF DOLS 10 MILLION AND MADE AN OFFER OF ITS OWN OF DOLS 2.47 MILLION. NORMANDEAU IN TURN ORALLY REJECTED PANAMA'S OFFER ON THE SPOT, AND IS NOW PREPARING A WRITTEN REJECTION. BARLETTA ASKED WHAT NORMANDEAU COULD  
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ACCEPT, AND THE LATTER ANSWERED THAT HE COULD RECOMMEND THAT LUDWIG ACCEPT THE 1974 FIGURE OF DOLS 5.9 MILLION. (NOTE: THIS WAS NOT A FORMAL OFFER.) BARLETTA RESPONDED, HOWEVER, THAT THAT FIGURE WAS STILL TOO HIGH.

2. THE DOLS 2.47 MILLION FIGURE IS APPARENTLY A REFINEMENT OF ANOTHER 1974 ONE. THE BREAKDOWN BETWEEN THE TWO IS AS

FOLLOWS:

ITEM	1974 APPRAISAL	1978 OFFER
LAND	572,540	580,000
BUILDINGS	1,260,854	1,360,000
ROADS	0	860,000
TREES	0	-800,000(MINUS)
---	(COST OF REMOVAL	
---	TO "SALVAGE" LAND)	
MACHINERY	398,731	470,000
TOTAL	2,232,125	2,470,000

3. THE PANAMANIAN THREW IN SOME RED HERRINGS: PANAMA WOULD LIKE REIMBURSEMENT FOR THE LOSSES IT HAS SUFFERED SINCE IT ASSUMED CONTROL OF THE OPERATION IN 1974, SOME DOLS 1.3 MILLION. PANAMANIAN LAW (CODIGO FISCAL?) MAY REQUIRE THAT THE COMPANY BE BOUGHT FOR ITS APPRAISED VALUE FOR TAX PURPOSE (SEE 77 PANAMA A-133 FOR EXPLANATION). NORMANDEAU DOES NOT KNOW WHAT THIS VALUE IS. FINALLY, VICE MINISTER GONZALEZ ALLEGED THAT CITRICOS OWES BACK TAXES FOR SEVERAL YEARS, BUT HE LATER NOTED TO NORMANDEAU THAT THIS ISSUE HAS BEEN RESOLVED.

4. NORMANDEAU STATED THAT HE IS FINISHED WITH GOING TO LIMITED OFFICIAL USE

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PANAMA FOR FUTILE NEGOTIATIONS WITH SUBORDINATES WHO ARE NOT EMPOWERED TO CONCLUDE AN AGREEMENT. WE RESPONDED THAT, COMPARED TO THE EXPERIENCE OF OTHER INVESTORS IN SIMILAR SITUATIONS VIS-A-VIS OTHER COUNTRIES IN THE AREA, HE WAS ACTUALLY DOING QUITE WELL, AND THAT HE SHOULD NOT EXPECT IMMEDIATE RESULTS. WE RECOMMENDED THAT NORMANDEAU ACCEPT THOSE ITEMS OF PANAMA'S PROPOSAL THAT HE REGARDED AS FAIR, AND CONCENTRATE ON THE AREAS OF DISAGREEMENT. THE MAJOR OUTSTANDING QUESTION SEEMS TO BE THE VALUE OF THE LAND. A MOONLIGHTING EMPLOYEE OF BARLETTA'S MINISTRY, ROLANDO CUEVAS, PRODUCED CITRICOS' 1974 ASSESSMENT OF DOLS 20 MILLION. GUSTAVO GONZALEZ RECOMMENDED OLEGARIO BARRELIER AS A PERSON WHO COULD PRODUCE A MORE ACCURATE ESTIMATE OF THE LAND'S 1974 VALUE. BARLETTA DID NOT COMMIT PANAMA TO ACCEPT OR EVEN TO RECOGNIZE ANY VALUATION BUTXID ACKNOWLEDGE THAT BARRELIER WAS QUALIFIED TO MAKE AN ASSESSMENT. WE RECOMMENDED THAT CITRICOS PREPARE A PROPOSAL FOR BINDING OR NON-BINDING INDEPENDENT VALUATION TO BE PRESENTED TO BARLETTA. NORMANDEAU DOUBTED THAT THIS WOULD MOVE BARLETTA, BUT HE DID NOT REJECT IT.

6. "TO GET THE ATTENTION" OF THE GOP OFFICIALS WHO COULD

CONCLUDE AN AGREEMENT, I.E., TORRIJOS OR BARLETTA, NORMANDEAU WOULD LIKE US TO INVOKE THE HICKENLOOPER, GONZALEZ, AND TRADE ACT SANCTIONS IMMEDIATELY, ALTHOUGH HE REALIZES IN OUR OPINION THAT SUCH A STEP IS NOT LIKELY AT THIS TIME. FAILING THAT, HE WOULD LIKE US TO THREATEN THEIR INVOCATION IN A FORMAL NOTE TO THE PANAMANIAN GOVERNMENT. WE MADE IT CLEAR THAT WE DID NOT FEEL THAT SANCTIONS WERE WARRANTED AT THIS TIME. WE SAID THAT WE WOULD RAISE THE POSSIBILITY OF A NOTE WITH THE INTER-AGENCY EXPROPRIATION GROUP BUT FELT THAT SUCH AN ACTION WAS PREMATURE UNLESS WE HAD SOMETHING SPECIFIC, SUCH AS AN INDEPENDENT VALUATION, TO PRESS FOR. NORMANDEAU STATED THAT, IF HE DID NOT GET SATISFACTION FROM THE INTER-AGENCY GROUP, HE WOULD SEEK RELIEF FROM CONGRESS BY WAY OF THE TREATY IMPLEMENTING LIMITED OFFICIAL USE

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LEGISLATION OR SEVERAL OF THE NUMEROUS HOUSE ANTI-TREATY AMENDMENTS WHICH WILL BE OFFERED IN THE NEXT FEW MONTHS.

7. THE DEPARTMENT HAS NOT COMMITTED ITSELF TO ANY SPECIFIC COURSE OF ACTION. NEVERTHELESS, IT IS CLEARLY DESIRABLE THAT THIS CASE BE SETTLED TO THE SATISFACTION OF BOTH PARTIES AT AN EARLY DATE. THEREFORE, REQUEST THAT EMBASSY, IN ITS DISCUSSIONS WITH APPROPRIATE PANAMANIAN GOVERNMENT OFFICIALS, CONTINUE TO EXPRESS THE HOPE THAT THE GOVERNMENT REACH AN AGREEMENT WITH THE COMPANY SOON AND TO ENCOURAGE THE GOVERNMENT TO BE FLEXIBLE IN ITS NEGOTIATIONS WITH THE COMPANY.

8. NOTE: REFTTEL A QUOTED BARLETTA AS SAYING THAT CITRICOS HAS TITLE TO THE PROPERTY, BUT THAT THE PANAMANIAN GOVERNMENT MANAGES IT. NORMANDEAU CONFIRMED THAT THIS IS INDEED THE CASE. VANCE

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